

Message Text

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LIMDIS; FOR VICE PRESIDENT'S PARTY FOR HEGINBOTHAM

E.O. 11652: GDS

TAGS: EGEN

SUBJECT: INTERNATIONAL ECONOMIC HIGHLIGHTS

REF: STATE 11239

1. THE FOLLOWING ARE UNCLEARED ECONOMIC HIGHLIGHTS
SUMMARIZING DEVELOPMENTS REPORTED IN VARIOUS DEPARTMENT
STAFF MEETINGS.

2. RESULTS OF IMF INTERIM COMMITTEE: RESULTS WERE
CONSTRUCTIVE, BUT NO CONCRETE DECISIONS WERE TAKEN.
PROGRESS WAS MADE IN PREPARING FOR THE BONN SUMMIT. MANY
PARTICIPANTS FAVORED A 50 PERCENT INCREASE IN THE 7TH IMF
QUOTA REVIEW, WHICH WOULD LIKELY NOT TAKE EFFECT UNTIL 1981.
REGARDING POSSIBLE SDR ALLOCATION, MANY FAVORED A MODEST
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ALLOCATION. US NOTED THAT ISSUE OF ALLOCATION SHOULD BE
LINKED WITH AMOUNT OF QUOTA INCREASE. FRG FOR TACTICAL
REASONS SUGGESTED THAT IMF SHOULD ALSO LOOK AT ITS
SUBSTITUTION ACCOUNT AND POSSIBLE ALLOCATION SHOULD BE TIED
TO A DECISION ON INCREASING THE SDR INTEREST RATE. LDCS
FAVORED ELIMINATING CURRENT SDR RECONSTITUTION PROVISIONS.
IMF REPORTED TO DEVELOPMENT COMMITTEE ON PROGRESS OF ITS

STUDY OF COMMODITY STABILIZATION SCHEME. NO PROPOSALS WERE MADE, BUT REPORT SUGGESTED POSSIBLE FURTHER LIBERALIZATION OF CFF, SUCH AS ENABLING MEMBERS TO PURCHASE UP TO 100 PERCENT OF QUOTA AND BASING GRAIN EXPORT EARNINGS ON INDEXED PRICES.

3. FUKUDA VISIT: PER REFTTEL, UNDER SECRETARY COOPER REPORTED ON MAY 2 BREAKFAST MEETING. FUKUDA REITERATED STRONG COMMITMENT TO OBTAIN 7 PERCENT REAL GROWTH RATE THIS YEAR. FUKUDA NOTED, HOWEVER, THAT GOJ CANNOT RELY SOLELY ON ECONOMIC GROWTH TO INCREASE ITS IMPORTS. GOJ PLANS TO TAKE SHORT TERM MEASURES SUCH AS INCREASED PURCHASES OF URANIUM, OIL STOCKPILING, NON-FERROUS METALS AND AIRPLANES FOR DOMESTIC USE AND LEASING. FUKUDA EXPRESSED CONCERN OVER EUROPEAN ECONOMIC ENVIRONMENT AND POTENTIAL US INFLATION RATE. HE COMMENDED THE PRESIDENT'S RECENT INITIATIVES TO HOLD DOWN INFLATION. REGARDING MEASURES TO STABILIZE EXCHANGE RATES, US PLEDGED COOPERATION WITH OTHER COUNTRIES TO PROMOTE STABILITY, BUT WOULD NOT AGREE TO SETTING TARGET ZONES FOR EXCHANGE RATES, THEREBY IMPLYING NO US COMMITMENT TO FIX US EXCHANGE RATE.

4. CONGRESSIONAL ACTIONS ON COMMODITIES: HOUSE WAYS AND MEANS COMMITTEE DECIDED NOT TO OVERRIDE THE PRESIDENT'S DECISION ON INDUSTRIAL FASTENERS. HOWEVER, THE TRADE SUB-CONFIDENTIAL

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COMMITTEE VOTED TO REQUEST THE FULL WAYS AND MEANS COMMITTEE TO REQUEST THE ITC TO REDO ITS INVESTIGATION. SENATOR DOLE SUBMITTED RESOLUTION CALLING ON PRESIDENT NOT TO IMPOSE AN OIL QUOTA OR FEE. FINANCE COMMITTEE ADOPTED THIS BY LARGE MARGIN BUT SUCH A SENATE RESOLUTION WOULD NOT BE BINDING. NEVERTHELESS, IT IS A NEGATIVE ACTION CONCERNING POSSIBLE ADMINISTRATION ENERGY OPTIONS. HOUSE BANKING AND CURRENCY COMMITTEE ADOPTED EXIM AMENDMENT PROHIBITING CREDITS TO SOUTH AFRICA, WHILE ADDING ANOTHER AMENDMENT AUTHORIZING EXIM AVAILABILITY TO THE PRC (JACKSON/VANIK AMENDMENT, HOWEVER, WOULD STILL BAR CREDITS TO PRC). SENATE FINANCE COMMITTEE CURRENTLY DEBATING OTHER POSSIBLE EXIM RESTRICTIONS. MEAT SITUATION REPORTED IN STATE 12305 REPEATED TO YOU. PRESIDENT CURRENTLY CONSIDERING PROPOSED OPTIONS ON DOMESTIC SUGAR PRICE LEVEL. ADMINISTRATION LIKELY TO SUPPORT A 14.05 CENT PER POUND LEVEL PLUS INCOME PAYMENTS TO FARMERS. US PRODUCERS, HOWEVER, OPPOSE THIS PROPOSAL AND CONGRESS MAY ENACT A HIGHER PRICE.

5. UN OVERVIEW MECHANISM: SECOND ROUND BEGINS MAY 3,

COOPER WILL PARTICIPATE WEEK OF MAY 8. UNFORTUNATELY FEW LDC PARTICIPANTS ARE FROM CAPITALS, INDICATING SOME SKEPTICISM TOWARD UN MECHANISM. OVERVIEW WILL FOCUS ON GLOBAL ECONOMIC PROBLEMS AND PRIORITIES, AND RESOURCE TRANSFERS. LDCS HAVE A LONG LIST OF DEMANDS REGARDING TRANSFERS FOCUSING PRIMARILY ON SDR-AID LINK AND RELATED ISSUES. US WILL STRESS NEED FOR COMMON FUND COMPROMISE AND WILL ENDEAVOR TO DEVELOP BILATERAL SUPPORT FOR A COMPROMISE. ASSISTANT SECRETARY STURKEY OF DEPARTMENT OF FOREIGN AFFAIRS WILL ATTEND FROM AUSTRALIA AND ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC AFFAIRS WILL REPRESENT NEW ZEALAND. CHRISTOPHER

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